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### National cultural values and the purpose of businesses

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## **NATIONAL CULTURAL VALUES AND THE PURPOSE OF BUSINESSES**

### **ABSTRACT**

We need measures and tests of the effects of national values if we are not to over- or under-attribute management behavior differences to them, but complex institutional and industrial influences make this difficult. Here, we examine international differences in the purposes of firms as expressed by CEOs, which subject to institutional and industrial factors as well as national values. Having explored these purposes in investment decisions of large public companies, we adopted a 'quasi-experimental' approach to measure and test national values' influence in owner-managed firms in different cultures.

We found national values influencing business aims, but not time frames or stakeholders, where other forces were acting. So they are important, but we can only reliably attribute behavior to them on the rare occasions where other forces are not at play. Good measures of values' effects may themselves aid understanding of the background to international business negotiations and partnerships.

**KEY WORDS:** Culture, National values, Business purpose, Institutions, Time, Aims, Stakeholders

## NATIONAL CULTURAL VALUES AND THE PURPOSE OF BUSINESSES

### Introduction

Comparative international research has long recognized that there seem to be considerable differences between countries in what businesses strive to achieve (e.g. Pascale & Athos, 1981; Lawrence & Edwards, 2000). The purpose of human activity being value laden, some different measured cultural values have been suggested to be important (e.g. Schneider & Barsoux, 2003; Hofstede, 2001; Trompenaars & Hampden-Turner, 1997). We can expect managers to reflect the norms of those that surround them, as expressed by these values, in what they strive for with their businesses. Here we ask whether business purposes can be empirically linked to the national cultural contexts in which they are embedded, as measured by previously researched national values.

Other contextual differences between countries will be important as well. Different industrial foundations present different competitive forces and customer demands, and these will inevitably influence business purposes. Different institutional arrangements are a clear reason why management behavior varies between countries (Hickson & Pugh, 1995), and this has been recognized in the body of 'new institutional theory' research (DiMaggio & Powell, 1983; Scott, 1995). For example, ownership and governance structures differ between countries for historical reasons (Pedersen & Thomsen, 1997), and these influence management behavior (e.g. Eisenmann, 2002; Schulze et al., 2003; Thomsen & Pedersen, 1999).

Here we will develop some hypotheses towards business purposes from the national values research, and will qualitatively explore them in strategic investment decision-making in vehicle component manufacturers in four countries. With strong grounds for believing that institutional and industrial factors are important as well, we have to separate these from the possible influence of national values when we come to test them. By using a quasi-experimental approach among CEOs of firms in France, the Netherlands and the United Kingdom, and with a tight matching process and the use of appropriate statistical methods, we will try to attribute observed behavior differences to the countries' national cultural values with greater confidence than has been possible hitherto.

### Business Purposes

Strategic management research has long emphasized the notion of strategic 'purpose' or 'intent' of businesses, which managers craft strategies which will enable their firms to achieve them (Hamel and Prahalad, 1989). From this research, mainly within single country settings, three clear aspects of business purpose have emerged.

One is concerned with the bodies or groups for whom the business has purpose: the notion of *stakeholders* reflects how managers may well recognize different people or groups in whose interest managers develop their strategies. Managers who devise strategies are often acting in agency relationships for others for whom the firms actually exist, possibly through ownership, or through

**Table 1: Contrasting shareholder and stakeholder perspectives**

<b>Organizations:</b>	<b>Shareholder Perspectives</b>	<b>Stakeholder Perspectives</b>
Emphasize:	profitability	responsibility
Are seen as :	instruments	joint ventures
Aim to serve:	owner(s)	all involved
Are successful if:	shareholder value rises	stakeholders satisfied
Face major difficulty ensuring:	principal's interests pursued	stakeholders' interests balanced
Govern through:	shareholder non-executive directors	stakeholder representation
See stakeholder management as:	a means to shareholder ends	an end & a means
See social responsibility as an:	individual matter	individual & organizational matter
Serve society by pursuing:	self interest	joint interest

*Source: Derived and refined from De Wit & Meyer, 1999, p.433.*

other legal entitlement. Shareholder value perspectives regard owners as the main or only stakeholders (Rappaport, 1986), but stakeholder perspectives include all 'individuals and groups that are affected by the strategic outcomes achieved and who have enforceable claims on a firm's performance' (Freeman, 1984, p.53). Stakeholder groups can include capital market (shareholders and capital providers); product market (primary customers, suppliers, host communities, governments and unions); and organizational (managers and employees) (Donaldson and Lorsch, 1983) but those with power and value have the greatest influence on a firm's actions (Hinings et al., 1974), and shareholders have a legitimate but not exclusive interest (Table 1).

More directly, it has been recognized how managers appear to pursue different *aims*, which much research has recognized as 'the agency problem', is so far that manager's goals for their firms can differ from those of the firms' owners (Albert, 1995; Whitley, 1992). A 'shareholder value' perspective emphasises financial returns, which has been particularly associated with firms where ownership and management are separated as has long been in the Anglo-Saxon sphere. 'Stakeholder' approaches, in acknowledging other interests as well results in wider outcomes, has aims such as the overall strength and scale of the business.

Third, research has identified that the *timeframes* within which managers intend to achieve their goals also differ. Aims and objectives may be short term or long, looking towards the quarterly report or the long-term strategic outcome. This can lead to an agency problem, where management and ownership are separated and their interests differ (Jensen & Meckling, 1976; Fama, 1980). Stock-market owners may value long term prospects, but managers often have incentives and budgeting systems that lead to short-term thinking (Hoskinsson et al., 1993; Wooldridge & Snow, 1990).

Our dependant variable, the purpose of business, is complex and subjective, and our three measures of it (stakeholder orientation, aims, and timeframes) can not only reflect a range of industrial, institutional and cultural factors, but also each other. Different stakeholders for example, may have different aims and time-frames, and recognizing more stakeholders may broaden the range

of recognized aims, and affect the time-frames for achievement. If firms have long-term goals, their aims are more likely to include developments which take longer, with benefits in the long rather than the short term. Our goal here is to see if they are collectively or separately associated with national values and not to investigate the interrelationships, but we will have to reflect these possible interconnections in our research approach. We will now examine how some specific values may influence these three aspects of business purpose.

## **National Values and Business Purposes**

To examine how national values may influence business purposes, we take an ‘operational’ view of culture (Goodenough, 1971), seeing it as the shared beliefs or standards which guide CEOs as to their business purposes through the cultural conventions of the context in which they all work (Usunier, 1998, p. 20). CEOs and senior managers may well hold different values and beliefs, and these might be influential as well, but we will avoid the ‘ecological fallacy’ and keep our analysis at the level of firms overall (see Schwartz, 1994). While research has attempted to associate national cultures with many aspects of management behavior (see Kirkman et al., 2006), there has not been a study specifically of how the pattern of business purposes in nations reflects the different national cultural contexts in which they are developed. We will now examine specific national values measurements that indicate facets of these cultural contexts to which firms adapt in their business stakeholders, aims and time frames, and will hypothesize how they might do so.

From the many measurements of national values, we will bring together individual values measures from two of the best known and most replicated. Hofstede’s (2001) differentiation of national values in a large number of countries, based on social-psychological research amongst IBM employees (mainly managers and professional workers) has been most widely used and has received substantial corroboration (e.g. Sondergaard, 1994; discussed in Smith et al., Ch. 3). Trompenaars and Hampden-Turner (1997) used a broadly similar approach to Hofstede, but with a larger, wider, less homogenous, and less standardized data set. These researchers identified two aspects of national values that are highly relevant: values towards *people* and values towards *time*. There are newer, other less extensively corroborated and used empirical evaluations, including Schwartz (1994; 1999), House et al. (2004), Inglehardt et al. (2004) and Leung et al. (2002). While these do not offer values types so relevant for this study, we benefit from knowing that the values that Hofstede and Trompenaars identified over a quarter century ago appear to be still at play (Kirkman et al., 2006).

## **Person Orientation Cultural Values and Business Stakeholders**

One reason why managers’ judgments as to ‘who the firm is for’ may vary internationally is that different jurisdictions allocate power to different stakeholder interests differently (Thomsen & Petersen 1999). Company law gives UK and US firms’ owners the exclusive power to hire and fire

the managers, and to close or retain the firm, justifying the shareholder focus there (Grant, 2002). Elsewhere (e.g. France and the Netherlands) managers must take employees into account, and in Germany, local communities as well; it is not just the presence of representation rights, but that the whole corporate governance structures are different (Clarkham, 1994). Commercial conditions can also affect the stakeholders' power: when benign, managers may have flexibility to regard wider groups, but when survival is at stake, focus will be on those, such as owners, who determine it.

But stakeholders are defined by beliefs and values in society as well. There may be a culture of, for example, individual or family owners adopting other stakeholders, reflecting values (as did, for example, Cadbury, Quaker, Johnson and Johnson, Lego and Hershey). It is differences in the stakeholders recognized by senior managers who are determining the strategy for their firms that we are interested in here, where there may well be cultural expectations. Here, two measures of 'person orientation' (Table 2) appear to be of relevance. These examine the extent to which there is a focus on people within businesses, in comparison with the job to be done, or the business result.

Hofstede's (2001) 'masculinity and femininity' is a composite measure of various social and interpersonal values concerning how people conceive of themselves in relation to others. In his 'feminine' societies, people are expected to be concerned with people and relationships, and emphasize the importance of these in life, and in 'masculine' societies, are expected to be more goal focused, emphasizing decisiveness, assertiveness, ambition and toughness in a search for material success. From Lewin's (1951) notion of how people have 'public' space, the elements of themselves about which they are open to others, and 'private' space, the elements that they guard more closely, Trompenaars and Hampden-turner (1997) distinguish 'diffuse' from 'specific' business cultures. In diffuse cultures, people's public spaces and private spaces are not separated, so their 'public' work roles cannot be distinguished from their personal or 'private' ones, and people are regarded in terms of their being a whole person and one determined by a specific work role or contract. In specific business cultures, people's actions, behaviors and relationships are specific to purpose, so the purposes they pursue will be determined by the specific work purposes, contracts, or roles that they are tasked to fulfill, and the issue of individual beliefs or values is irrelevant.

**Table 2: Empirically measured values of person-orientation in different countries**

VALUES MEASURE:	Femininity (vs Masculinity)	Diffuse (vs Specific) orientation
Author:	Hofstede (2001, p. 500)	Trompenaars & Hampden-Turner (1997, Pp. 87-97)
Netherlands	HIGH	HIGH
Sweden	HIGH	MEDIUM
France	MEDIUM/HIGH	MEDIUM
Japan	LOW	HIGH
Germany	LOW	MEDIUM
Italy	LOW	MEDIUM
US	LOW	LOW
UK	LOW	LOW

Managers in person oriented cultures can be expected by others within their social contexts to recognize that people and relationships are more important than other and particularly material achievements in life, and this would be reflected in the decisions that are made and things that are achieved generally within those cultures. Managers failing to recognize that it is the purpose of firms to meet the needs of many people; not only shareholders, but also employees and others connected to the firm would be regarded as strange, and may well face direct opposition. The pressures may not only be external; managers are likely themselves to be acculturated to expect to recognize a variety of stakeholders. In person-oriented cultures, we can expect the interests of a wide range of stakeholders being considered in the strategy process, the stakeholder perspective noted above, and not only the owner interests as in the shareholder perspective. In task oriented cultures, managers who gave such benign consideration for other groups would be seen to lack the toughness, decisiveness, and single-minded sense of purpose for meeting the owner's requirements that would be the mark of effective management. If their own values are to concern themselves with the needs of other stakeholders, they would be expected to retain these within their private space and not taken to the public space of their working lives. We therefore hypothesize that:

- H1 The more person-oriented a culture, the more managers will pursue wide stakeholder interests rather than focus on shareholder interests.

## **Person Orientation Cultural Values and Business Aims**

Many factors can influence the aims pursued by businesses. As well as institutional structure (particularly regarding ownership) and history, specific industry and firm conditions can also influence business aims. Different owners will have different aims, and firms facing hard competitive conditions may focus on cash flow for survival more than firms in more benign conditions. Differences have been noted between countries. UK and US managers are supposedly more concerned with financial returns than German and Japanese managers, who focus more on product attributes and quality (Albert 1995; Whitley, 1992).

A 'cultural' school of management, however, sees the intent of a firm simply to express its culture and its values (Deal & Kennedy, 1999). That managers' aims may reflect national values has been empirically supported by Neelankavil et al. (2000), who found that middle managers' understanding of 'good performance' was associated with a variety of national values measures. We can expect the aims that are pursued by businesses to be influenced by person orientation national values in a similar way as stakeholders are affected. Not only are the stakeholders and firm aims interrelated, but we can expect values directly to influence the aims pursued by managers.

We can expect managers in societies with person-oriented values to display greater concern for the quality and security of working life for themselves and for their employees, for the quality of the

relationships within their firms and with others around the firms, for firm stability, and for wider social goals. In task-oriented cultures, by contrast, we could expect managers to focus more on maximizing firm profitability and increasing shareholder value. We can therefore hypothesize that person-orientation will be associated with holding a wide range of aims, both because there will be societal expectations that they should do so, and because they may well be recognizing a wider range of stakeholders. We similarly can associate task – orientation with holding only financial aims:

- H2 The more person-oriented a culture, the more managers will pursue diverse aims rather than focus on financial aims.

## Time Orientation Cultural Values and Business Timeframes

National values reflecting how different cultures see time in different ways have also been associated with the length of time over which achievements are sought, short-term (associated with Anglo-Saxon cultures) or long term (associated with some Eastern cultures and some northern European countries (Calori & de Woot, 1994; Hickson & Pugh, 1995). Hofstede's short-term and long-term orientation dimension is a complex concept, being developed from work by researchers working with managers in China (Hofstede & Bond, 1988). 'Long term' thinking reflects a desire for personal growth in its broadest sense, over and beyond the span of life, in which a pursuit for 'virtue' involves, inter alias, the fostering and development of valuable personal relationships. The norms in 'long term' cultures are for managers to develop capabilities and strengths within their firms that will better assure long-term success, in comparison to 'short term' values orientation norms, which are for the speedy achievement of financial outcomes, and not for prosaic goals, such as forming good relationships with others, even if these might be valued on a personal basis.

Trompenaars and Hampden-Turner's (1997) research on orientations to time were not based on such a broad concept, it was related to how people viewed themselves and their lives within the time dimension. Their findings for different countries, however, were broadly consistent with those of Hofstede, and show clear short future time orientations in some countries and long future time orientations in others (Table 3). Both Hofstede (2001) and Trompenaars and Hampden-Turner (1997)

**Table 3: Empirically measured values of time-scales in different countries**

<b>Values Measure:</b>	<b>Short -term (vs Long-term)</b>	<b>Short (vs Long) time horizon</b>
Author:	Hofstede (2001. p.500)	Trompenaars & Hampden-Turner (1997, p. 129)
US	HIGH	HIGH
UK	HIGH	HIGH
Italy	MEDIUM	HIGH
Germany	HIGH	MEDIUM
France	MEDIUM	MEDIUM / LOW
Sweden	MEDIUM	MEDIUM / LOW
Netherlands	LOW	HIGH
Japan	LOW	MEDIUM



associate business short termism in the US with short-term values there. Within US subsidiaries studied by Newman and Mollen (1996), long-term HR policies emphasizing job security were only associated with higher performance in Hofstede's 'long term' nations, in 'short term' nations, short-term policies were more appropriate. While it might be self-evident that strategic short-termism or long-termism in managers' thinking may be tied specifically to short-term or long-term national values orientations in the countries concerned, and idea that is much repeated in descriptive comparative management literature, it will be valuable to test:

H3 The more long-term a culture, the more managers will pursue long term rather than short-term achievement.

Before testing our hypotheses, we wanted to denote specific, quantifiable but meaningful terms for our business stakeholders, aims and timeframes that reflected *how* national values may be associated with these different aspects of business purposes, and for this, we undertook an initial qualitative exploration (Ghauri et al, 1995).

### **Exploration of business purposes in international comparative cases**

We qualitatively analyzed four strategic investment decisions, which are singular event-focused encapsulations of the senior management task (Rajagopalan et al., 1993), in four companies (one each from Japan, the UK, the US and Germany) in the mature and consolidating vehicle components industry between 1994 and 1998. Two hour semi-structured interviews, embracing all aspects of the processes and techniques involved in specific investment decisions, were undertaken with executives charged with coordinating them in English at their own business premises. (To maintain confidentiality we name our German executive Deutchcom, our Japanese, Japcom, our British, Britcom and our American, Americom.) The four case companies expressed their stakeholders, aims and time-frames differently (Table 4).

Deutchcom and Japcom barely mentioned the needs of their shareholders, and the attention of both was on the future viability of the company as a whole – implying a diversity of important stakeholders without necessarily mentioning them separately. Japcom's cited various stakeholders, life-time employees being specifically mentioned as an important group given special attention. This also had changed with the CEO, possibly reflecting Japanese particularism. As Japcom noted:

'I think stakeholders these days know they are, customers, employees, and I think the corporation has to give lots of obligations to these stakeholders'.

While Japcom and Deutchcom found owners relatively unimportant, both were then paying them greater attention. Britcom and Americom thought owners were more important, but they were perceived in different ways. Britcom's managers believed that the owners did not know what was good for the firm, so they surreptitiously pursued goals that they thought the owners would not want. Americom's managers had a better view of the firm's shareholders, and felt that they were fulfilling

**Table 4: Meaning of ‘purposes’ in the four case businesses**

<b>Firm:</b>	<b>STAKEHOLDERS:</b>	<b>AIMS:</b>	<b>TIME FRAMES:</b>
<i>Deutchcom:</i>	Company: owners not mentioned,	Strategic viability, firm growth. Finance.	Undefined long future
<i>Japcom:</i>	‘The company as a whole’; Employees	A strong strategic position	Life-time employment & management
<i>Britcom:</i>	Owners predominate	Profits & profits growth	1-5 years overtly, managers subverted
<i>Americom:</i>	Owners predominate;	Profits, growth & strategic development	Profits: 1-2 years, Growth: 15 years.

their needs. We can distinguish two main orientations towards stakeholders can be distinguished, with which to test H1 in a wider data set. One orientation, the shareholder focus, as demonstrated most clearly by Americom, shows focus only on the owners (shareholders). The other, which we regard as the stakeholder approach, shows expression of concern also towards one or more of employees, the organization as a whole, and wider society or societal groups.

Neither Deutchcom nor Japcom expressed their aims in a direct, clear or quantifiable way: they were multifaceted. They both appeared to aim for strategic viability, growth, and success. Financial performance was of increasing concern, but remained unimportant in comparison with strategic success. Deutchcom’s aims behind the investment were regarded as being mainly non-quantifiable, and for Japcom, achieving a good ‘position in the industry’ was the aim:

‘... it’s not just the return on capital that is our only criteria. Another good consideration has to be keeping up with this evolution in the automotive industry. To be a successful automotive component supplier you have to be a global corporation ... The bigger issue is are we going to be keeping up with the business, and surviving in the long term?’

Britcom was the most profit focused of all the firms, with stringent return on assets criteria for all investment decisions that were rarely reduced for longer-term strategic considerations:

‘...we have a growth target of 10-15% a year on earnings per share. This is a permanent thing.’.

Americom’s executive emphasized financial aims, but a wider view of the aims of the firm was taken as well:

‘...if you get financials that are unbalanced with the business objectives, we are putting in all the money but you are taking all the product, or vice versa, you want to be sensitive to that.... [...] We tend to force ourselves to make strategic decisions on direction, but we are not using the 15% as a cut-off...They are 50% for non-strategic investments’.

Though deep case analysis reveals complex aims within Americom and Britcom on the part of the managers, the dominant expression of their aims were in financial terms. When testing H2, we will distinguish financially focused aims involving profits, returns and cash-flows from broad strategic aims which are more wide ranging and less specific in terms of outcomes.

In time frames, Deutchcom and Japcom’s main focus was long term strategic success over a period of 15 years or more. Britcom’s objectives were phrased mainly in two or three year terms though the managers also adopted longer-term strategic criteria behind their decisions – in effect, they were

pursuing strategic development subject to minimum financial profits and growth targets on a one to five year horizon. Americom aimed to achieve returns over a one to two year horizon, but also had 15 year strategic objectives. From this analysis, when we come to test H3, we will denote short-term as being intended achievements within 5 years, while long-term can mean achieving outcomes over an unspecified future period, or over a specified period of 10 years or more.

Overall, therefore, these qualitative case analyses indicated useful categorizations for terms used in practice by managers that indicate a ‘stakeholder’ rather than ‘shareholder’ approach, ‘wide’ as against ‘financial’ aims, and ‘long’ as against ‘short’ time orientations to use in a quantitative study.

## **Research approach and method**

To test these ideas in different countries in large numbers of respondents from traditional sampling procedures would have been prohibitively costly with such rich data gathering, and attracting a sufficient unbiased and representative sample of industrially and institutionally matched managers to the study in each country would not be feasible. But here we are not concerned with how what the time frames, aims and stakeholders *are* in each country, only with how they *differ* between the countries so we do not need to examine a sample of representative firms. We adapted an approach from medical research that faces similar requirements with a ‘quasi-experimental’ method, comparing groups that were closely matched in every respect except their nationality. With care and using appropriate statistical measures developed for the purpose, which require as few as eight or ten in each group, we can then attribute differences to their nationality (Pett, 1997; Conover, 1999).

For this approach, because we are facing a wide range of other factors that can influence business purposes, the firms needed to be as equivalent in industrial, market, and organizational and institutional characteristics as possible. We had a tight a-priori determination of the types of firms and respondents. The countries we studied are inevitably institutionally different, but are all mature, democratic industrial economies with European norms of individual freedoms and rights share more similarities than, say, nations from different continents. All firms were in a niche sub-segment of the electronics industry in Standard Industrial Code 33.20/1, which developed and combined electronic hardware and software technologies to address the needs of industrial customers. Their needs, technologies and standards being determined on a global scale, domestic factors are less important than international ones. We spoke only to the CEOs who were also part or majority owners of their firms, so that we could consider them to be the prime architects of the firm’s purposes.

### *The businesses and the CEOs*

Even though they were well matched, differences between the businesses in the three countries were inevitable, revealed in and post-hoc data analysis (Table 5). The French firms were more focused on higher level specialist niches, and chose to remain smaller with higher value added, trading internationally through agents. So they were smaller than the others, with smaller payrolls and

**Table 5: Descriptive statistics for the 41 firms in the testing phase of the study**

<b>Variable</b> (Means of each group):	<b>France</b>	<b>The Netherlands</b>	<b>United Kingdom</b>
Age of Firms (years):	13	18	17
CEO Shareholding (%)	49	67	58
Firm Turnover (€m)	1.4	7.3	5.9
Payroll (Staff numbers)	21	45	44
Age of CEOs	46	49	49
Export ratio (Average, %)	11	28	40

average turnover of €1.4m compared to €7.3m in the Netherlands and €5.9m in the UK. Their direct export % (notwithstanding their actual international exposure) was lower. These differences between the French and the other firms, however, mainly reflected chosen growth strategies and their lower commitment mode of foreign market entry choice rather than more profound differences. More of the Dutch, and to a lesser extent the British businesses, were continuing to use lower margin subcontract activity to help to finance their development into the higher margin activity. Reflecting local histories, the business sectors involved also differed: many in France were in telephony and defense, and many in Britain were in process monitoring control and switching equipment. More of the French CEOs (65%) were educated to postgraduate level than both the British (27%) and the Dutch (7%), and while the Dutch CEOs were older than the French and British, they had less big company experience.

These kinds of differences are inevitable, but matter only if they lead to different time frames, aims or stakeholders. We checked for this by post-hoc cross-correlation of variables other than nationality, including industrial subdivisions, size bands, ages, export ratios, levels of CEO ownership, CEOs age, CEO educational level, and CEO previous experience against their expressed stakeholders, aims and time frames. This revealed just one variable other than national background to be strongly and consistently associated with time frames, aims and stakeholders: whether or not the businesses had a major shareholding by a financial institution. Whereas eight of the British firms had important institutional shareholders, just one French and one Dutch firm did so. So we excluded these ten CEOs from the analysis so that we should not attribute associations to the British on grounds of their values rather than to an institutional factor. The remaining firms were similar: average ages were between 13 and 18 years, average turnovers were less than €7.5m and payrolls were all less than 50. The CEOs had similar backgrounds: all electronics engineers, and with averages ages between 45 and 50.

41 firms without dominating outside shareholders remained for analysis, 12 in the Alpes-Maritimes department of France, 14 in The Netherlands, and 15 in the country of Scotland in the UK. As the whole populations within regions of those countries of businesses of a very specific type, and not representative samples of companies in general in these regions, they were highly suitable for this protocol, because representative samples would reflect the institutional and industrial histories and structures of the regions and nations involved.

### *Data gathering*

Interview discussions, which took place between 2000 and 2002, focused on the CEOs' assessment of the success (or otherwise) of their firms, and the considerations that went into their thinking when considering the future of their firms. Strict consistency and structuring of the interview process was necessary to direct discussion to relevant topics and to achieve equivalent data from each interview (Ericsson & Simon, 1985). To avoid the data being 'cued', we designed and piloted a highly structured 'native category' interview protocol (Buckley & Chapman, 1997) that attempted to access the interviewees' *own* native categories of data by using non-directive questions and would lead to conversations in which the CEOs could express their *own* underlying considerations and beliefs (Strauss & Corbin, 1991).

After a preamble, interviewees gave a personal account of their development of their business, which yielded valuable context data, and led to a leading question '*How successful, in your own terms, do you personally believe that your business has been?*'. A card presented five categories for response, from very successful to very disappointing, and though respondents typically pondering for some minutes, their response was of no interest as we have no basis for forming expectations as to what it would be. Rather, a follow-up question '*What is the basis for that assessment?*' provoked an extensive discussion that revealed the sought-after information on their time frames, aims and stakeholders. To triangulate these responses the concluding question '*What do you think about when you consider the future of your business?*' led to a lengthy discussion about their management approach and thinking. To maintain equivalence we deviated from this question order only to obtain clarification. The interviews were conducted at the interviewees' own business premises, in English in the Netherlands and the UK, but in French in France. That this limited the full equivalence in the data sets was a concern, but was mitigated by use of an identical interview protocol, by the managers' expressions of the phenomena having been clearly explicit, and by triangulation with follow-up questions.

### *Data coding and analysis*

We coded the transcripts and notes from the interviews according to the categories derived from the qualitative analysis. Concerning stakeholders, to test H1, the data was binary coded according to whether or not the CEOs had themselves and other owners as stakeholders (see table 6), and whether or not they had other interest groups (employees, the wider organizational interest, society generally) as stakeholders. Individual CEOs could be coded to either or both groups. This yielded three mutually exclusive groups in each of the three countries: those for whom only owners are stakeholders, those for whom only non-owners are stakeholders, and those who held owners *and* others to be stakeholders. Reflecting the qualitative study, concerning aims (see table 7), the data was coded to whether or not the CEOs held aims for the firm that were financial, and whether they were to develop the organization as a whole. But we were also interested in whether there would be a concern

for the development of relationships within and outwith the firm (reflecting femininity), and reflecting diffuseness, whether these owner-CEOs reflected their personal life goals in their business aims. So in addition to these four coding categories, three exclusive groups were yielded through analysis: those with only financial aims, those with only other aims, and those financial *and* other aims. Further, we could combine the ‘relationship’ aims *and* the ‘personal life’ aims to examine if these were reflected in the Dutch group, from a culture with both femininity and diffuseness. For time-frames (see table 8), the CEOs’ time frames were coded to being up to 5 years, between 6 and 10 years, and being over 10 years.

The problems of coding bias and misinterpretation can be severe in this type of cross-cultural analysis (Usunier, 1998). This was addressed in a number of ways. First, the coding process was binary, the most robust form and least open to coding bias. Second, the coding definitions had themselves been developed from the cross-cultural study of strategic investment decisions. Third, text segments from interview transcripts and notes were explicitly attributed to codes, and these are available on request to enable replicability. Fourth, coding system bias was checked with the data from three firms of each country being coded by three coders, one each from France, the Netherlands and the UK, resulting in 94.2% coding agreement. Finally, coding reliability was confirmed by the whole data set being coded by three further individuals from entirely different cultures who were unaware of the research questions or the background of the study, and this resulted in 92.8% coding agreement in stakeholders, 95.7% in aims and 94.3% in time frames. The codes included in the analysis were as agreed by at least two of the three coders; repeating the analysis of the coded data with only those included by all three made no material difference in the direction of the results (Weber, 1990).

Non-parametric tested whether or not there were differences between the three national groups. Following Conover (1999) and Pett (1997), we used the Fisher exact test, a non-parametric method for measuring the significance of differences that is both robust and more conservative than the chi-squared test (Hirji et al., 1991). Pearson’s Phi ( $\Phi$ ) was used to measure the strength of these differences, which can be interpreted as the more commonplace Pearson’s R (Hinkle et al., 1994). That the subjects were not samples does not restrict generalization to theory, but limits the technical validity of using these statistical tests of association in doing so, and the greatest care must be taken when making generalizations to differences between nations in businesses generally. Nevertheless, the tests yield the confidence that is required in the associations that are and are not found.

## Findings

Hofstede’s research, with support from Trompenaars (Table 2), shows The Netherlands to be the country with some of the most person-oriented values not just in Europe, but in the world, and the UK is one of the countries with the least person-oriented values (Hofstede, 2001, P. 84). H1 leads us to

expect the Dutch CEOs to hold wider stakeholder notions more than the French or British CEOs. Table 6 presents the incidence of the phenomena in the three countries, as well as the measures of differences between the groups (as  $\Phi$ ) with the significance (p) of any differences as measured by the Fisher's F-test. It is clear from Table 6 that the Dutch do not have wider stakeholder notions. Indeed it is the British with the widest stakeholder sets, hold others as stakeholders significantly more than the French ( $\Phi=0.40$ ;  $p=.08$ ) or the Dutch ( $\Phi=0.35$ ;  $p=.10$ ).

Further, under H1, with Britain having very person-orientation values, we expect them to focus more on the owner as the only stakeholder, but it was the Dutch that did this. Nearly all the Dutch CEOs talked about what they wanted for their own personal benefit from the business, whereas only half the French and 60% of the British did so. Overall, the French CEOs acknowledged wider stakeholder notions the least, with the Dutch and not the British that recognized the owners as stakeholders the most, not following the pattern of person-orientation in national values at all. National values are poor predictors of the stakeholders that would be expressed by the CEOs.

The person-orientation national values, however, were better predictors of the different revealed *aims* of the CEOs in the different countries, supporting H2. Under H2, the low person-orientation of the British was expected to lead them to focus on financial aims comparison especially with the Dutch and also with the French. We found this. Most of the British CEOs expressed financial aims, in comparison with a quarter of the French ( $\Phi=.41$ ,  $p=.04$ ) and less than half of the Dutch. But with one CEO from the entire population holding only financial CEOs, the aims patterns we see are quite complex, and there is not a clear relationship here between person-oriented cultures and not having financial goals. For example, the French CEOs and not the Dutch CEOs held financial goals least, and held only non-financial goals the most.

But H2 is supported by the patterns of aims that the CEOs held. Most of the British combine financial goals with a general notion of the development of their organization. Of all three groups, more of the Dutch CEOs expressed concern for their relationships, a 'feminine' concern, and reflected their own life goals and aspirations the most as well. In each of these cases, the differences were not

**Table 6: Findings concerning the CEOs' stakeholders**

	N (%)			$\Phi(p)$		
	French	Dutch	British	French v Dutch	French v British	Dutch v British
THE CEOs' STAKEHOLDERS ARE:						
Owners?	6 (50%)	13 (93%)	9 (60%)	.482 (.021)	-	.384 (.049)
Others (non-owners)?	9 (75%)	11 (79%)	15 (100%)	-	.395 (.075)	.352 (.100)
CEOs' STAKEHOLDERS ANALYSIS:						
Only owners?	3 (25%)	3 (21%)	0 (0%)	-	-	-
Only others (non-owners)?	6 (50%)	1 (8%)	6 (40%)	.392 (.075)	-	.399 (.042)
Owners & others (non-owners)?	3 (25%)	10 (71%)	9 (60%)	.456 (.020)	.428 (.032)	-
Total:	12 (100%)	14 (100%)	15 (100%)	-	-	-

**Table 7: Findings concerning aims**

	N ( %)			$\Phi_{(p)}$		
	French	Dutch	British	French v Dutch	French v British	Dutch v British
THE CEOs' AIMS ARE:						
Financial?	3 (25%)	6 (43%)	10 (67%)	-	.414 (.038)	-
Organizational development	8 (67%)	12 (86%)	15 (100%)	-	.466 (.028)	-
Relationships within the firm	3 (25%)	6 (43%)	4 (27%)	-	-	-
Personal life goals	5 (42%)	10 (71%)	7 (47%)	-	-	-
Relationships <i>and</i> Personal	2 (17%)	8 (57%)	2 (13%)	.483 (.022)	-	.560 (.009)
ANALYSIS, CEOs' AIMS ARE:						
Only financial?	1 ( 8%)	0 ( 0%)	0 ( 0%)	-	-	-
Only other (non-financial)?	9 (75%)	8 (57%)	5 (33%)	-	.474 (.019)	-
Financial <i>&amp;</i> other?	2 (16%)	6 (43%)	9 (60%)	-	.316 (.092)	-
Total:	12 (100%)	14 (100%)	15 (100%)	-	-	-

statistically significant, but we do see the holding of more diverse aims in the Dutch CEOs, who demonstrated greater concern for relationships, and reflected their own lives within their place of work more than did the British and French CEOs. Here, most of the Dutch CEOs combined personal life goals with relationship aims for their firms within their aims, but few of the French ( $\Phi=.48$ ,  $p=0.02$ ) or British ( $\Phi=.56$ ,  $p=0.01$ ) did so, both powerful and highly significant differences. So while the patterns are far from clear-cut, we can identify some association with the national values orientations, and some strong and statistically significant differences.

In the area of time-orientation (Table 3), Britain is a country which both Hofstede and Trompenaars find to have with some of the most short-term values. They disagree over the Netherlands: Hofstede found it to have some of the most long-term values, while Trompenaars found France to be longer-term than the other two countries. Nevertheless, we would expect under H3 that the British CEOs would show the most short-term strategic orientation. They did not. It was the French CEOs that displayed the least long-termism (and greatest short-termism), and while not greatly less long-term than the British, the difference was statistically significant ( $\Phi=.36$ ,  $p=0.09$ ). The hypotheses concerning time frames (H3) was clearly not supported, and time-orientation values are particularly poor predictors of long and short term business orientations in these businesses, no matter whose measures we choose to employ.

**Table 8: Findings concerning CEOs' timeframes**

	N ( %)			$\Phi_{(p)}$		
	French	Dutch	British	French v Dutch	French v British	Dutch v British
THE CEOs' TIMEFRAMES ARE:						
5 years or less?	2 (17%)	1 (7%)	2 (13%)	-	-	-
Between 6 and 10 years?	9 (75%)	8 (57%)	7 (47%)	-	.287 (.137)	-
11 years or more?	1 ( 8%)	5 (36%)	6 (40%)	.324 (.117)	.359 (.075)	-
Total:	12 (100%)	14 (100%)	15 (100%)			



## Discussion

A distinctive feature of our study, of qualitatively analyzing associations in one type of firm before testing them quantitatively in another therefore yields greater confidence in where we can generalize our findings across firms more widely, and where we can not, and in how we may, and may not use the national values research. Most evidently, the associations between national values and strategic purposes that we could have drawn from our qualitative examination of in four large public firms did not carry through to our more rigorous test, where we found some association only in one specific aspect of purposes.

Confirming Schein's (1985) observation that individual life goals lie at the heart of culture, national values were of some value in predicting business aims. There are indications why the national values based predictions would work here. The business aims these CEOs expressed reflected their own personal life dreams and aspirations, and here close analysis of the transcripts reveals clear reflection of national values within the CEOs' discussions. There was no contradiction between what they wanted to do as individuals, reflecting the cultures in which they worked, and what they were institutionally required to do, because they all effectively controlled their organizations, through ownership.

This feature was not present in our tests in the area of stakeholders, where national values completely failed to predict the behavior observed. The stakeholders in the minds of this particular type of CEO, ones who have done the extraordinary task of creating and developing their own organizations, appear to be influenced by stronger forces than the national values that they are expected to display. That these individuals, especially in the Netherlands, recognize their families to a high degree, reflects how there appears to be other forces operating here, perhaps other values, or perhaps other and complex institutional factors, that are stronger than those person oriented ones that we were working with. Some national values can be difficult to interpret in terms of likely management behavior, and can contradict each other, so there are dangers are clear when we try to treat these things simplistically.

This may well help to explain the surprising absence of an association between long and short term values and CEO long-termism and short-termism, where we would expect the links between the values and behavior to be self-evident. The transcripts reveal how there were more important forces at play which led the owner-CEOs' time scales to be very similar between the firms. In this industry, rapid scientific developments make the environment beyond eight to ten years unvisionable, but with new developmental projects taking three to five years, the time scales are constrained notwithstanding local national values. The danger of making glib associations between national values research and management behavior, even when they look so obvious, becomes clearer.

## Conclusions

We have put national values as a predictor of the purpose of firms in different countries to the test, using care to separate the influences of industrial and institutional contexts as much as possible. The study highlights how when attempting to see if there is an association between national values and management behavior, we have to be confident that important institutional and industrial factors are not at play. In the real kaleidoscope of businesses internationally, some firms are owner managed, some stock-exchange listed and some publicly owned. Some mainly have consumer customers, some business customers, and some public sector customers. Some face intensively competitive home markets and some comfortable oligopolies. We rarely face only the CEO-owner managed firms we studied here where firm behavior clearly reflects manager values. We normally face firms such as in our vehicle components manufacturers where it reflects interplay of interests and factors. These other factors are so important that generalized statements concerning business behavior on grounds *only* of national values is foolish.

But national values *are* important too, and there are some conditions where national values can be of value in predicting behavior, as we found in the CEOs aims in our study. So we can both overplay and underplay national values as explanators of management behavior. The quality and consistency of much of the national values research makes it easy to overplay them; they dominate our comparative management research, our textbooks on international management, and our interactions with the business world (Tipton, 2006). But it is also possible, given the limited quantitative analyses of their effects, and the mixed success of the few there are, to dismiss national values altogether, and this would also be an error. The phenomenon of culture is so rich that it can be argued that national values cannot meaningfully measure of it, that the massive simplification required for quantitative testing of its possible consequences makes this an invalid activity, and that this subject is amenable only to qualitative research and not to rigorous testing. We reject this view, instead arguing that we need rigorous tests to establish confidence in and generalizability of our findings.

Improving our understanding of *why* business behavior differs between countries needs measurements of *how* it does, where we still have little to work with. Here we have made some measurements and they appear to have been valid: for example in our distinction of firms with ‘financial’ aims that focus on profit and other measures of financial performance, and firms with aims that include relationships between people at work, and personal goals. These types of categorizations would be useful for international business researchers and managers. The rich data required makes this difficult to do with large scale data methods, so here (and acknowledging our simplifications and imperfections) our ‘quasi-experimental’ approach, here used to measuring and testing cultures’ consequences, may help at least to identify important differences between countries.

This is important because international managers, whose international business activity nearly always involves meeting, exploring, discussing, negotiating and agreeing with counterparts of other nations should expect differences in the norms and expectations of the managers they encounter. These may reflect national values, but also other factors as they would 'at home'. Successful negotiation requires an open mind and sensitivity to differences in business purposes, and they should be prepared for ways of thinking about what businesses are for that differs from their own, be unfamiliar, and may only slowly become evident. Sensitivity to these differences is the mark of a good international manager and negotiator. But mechanistically predicting beliefs and behavior from single national values measures, as has often been suggested in guidance to managers, is not.

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